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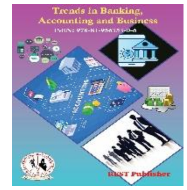

A Study on Financial Risk and Return Analysis with Special Reference to Titan Engineering Automation Ltd, Hosur

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Abstract: *Finance is so essential today that it is rightly said that it is the lifeblood of an enterprise without adequate finance, no enterprise can possibly accomplish. The present study is an attempt to make a financial risk analysis of titan engineering automation ltd. financial statements are used as a management tool by company investors. In 2009 sage and rouse argue that quantification, identification, evaluation, and trade-off of financial risks. Benefits and costs should constitute an integral and explicit component of the overall managerial decision-making process. The main objective of this study is to know about the company's financial performance by identifying the firm's strengths and weaknesses and the way by which theoretical accounting procedures are put into practical usage. It indicates whether the organization is improving or worsening in past years. The financial risk assessment of the company by avoidance, mitigation, acceptance, and transfer .it indicates whether the organization is improving or worsening in past years. Research methodology the data used in this project is of secondary nature. The analysis used in this project has been done using selective technical tools like ratios, comparative balance sheets, and trend analysis. The changes can be observed by comparing the balance sheet at the beginning and end of the period and these will help to changes in forming an opinion about the evolution of the company. The study has been undertaken for a period of four years from 2018 to 2022. The data used in this study is secondary data from the company´s annual report. Overall, the findings suggest that the company is performing well and improving its efficiency in using its assets to generate revenue. However, further analysis is required to evaluate the company's financial performance extensively.*

Key Words: *Risk, Return, Financial Performance, Risk Mitigation, Risk Avoidance*

1. INTRODUCTION

Risk analysis is also important because it can help safeguard company assets. Whether it be proprietary data, physical goods, or the well-being of employees, the risk is present everywhere. Companies must be mindful of where it is most likely to occur as well as where it is most likely to have strong, negative implications. Risk in investment exists because of the inability to make perfect or accurate forecasts. Risk in investment is defined as the variability that is likely to occur in future cash flows from an investment. The greater variability of these cash flows indicates greater risk. Variance or standard deviation measures the deviation about expected cash flows of each of the possible cash flows and is known as the absolute measure of risk, while co-efficient of variation is a relative measure of risk.

Objectives of study:

a) To analyze the "risk analysis of finance with special reference to Titan engineering automation limited".
b) To analyze the risk areas of finance.
c) To ensure that risks are identified, analyzed, and responded to in a consistent manner.
d) To communicate the results of the risk assessment process to stakeholders.
e) To provide a basis for monitoring and review of the risk management process.
f) To ensure that risks are continually reassessed and managed in a proactive manner+.

Scope of the study: risk analysis helps uncover a feasible project or one beyond the advancement of technology. It reveals loose ends in requirements, and guards against creep. Scope risk analysis also helps in management of software & hardware defects along with system integration setbacks.

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2. LITERATURE REVIEW

Al-Ruithe et al., (2019) focusing on the type of risk and risk components that may arise during the cloud migration process.Subrata Mukherjee (2011) discussed risk minimization techniques in the spot and derivative market. She analyzed the spot market transactions with the help of technical analysis and derivative market transactions by taking offsetting positions in the futures contracts.sage and rouse, (2009) argue that quantification, identification, evaluation, and trade-off of financial risks. Benefits and costs should constitute an integral and explicit component of the overall managerial decision-making process.

3. RESEARCH METHODOLOGY

"Research is a careful investigation or inquiry, especially through the search for new facts in any branch of knowledge. It is a systemized effort to gain more knowledge." Research Methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. The data used in this project is of secondary nature. The analysis used in this project has been done using selective technical tools. In the Equity market, the risk is analyzed, and trading decisions are taken on basis of technical analysis. It is a collection of share prices of selected companies for a period of five years.

4. DATA ANALYSIS

Current Ratio:One of the liquidity ratios is the current ratio. This ratio is used to assess the firm ability to meet its current liabilities. This ratio explains the relationship between a firm's current assets and current liabilities.

$$\text{Current ratios} = \frac{\text{Current asset}}{\text{Current liabilities}}$$

TABLE 1. Current Ratio

Financial year	Current assets (Rs in lakhs)	Current liabilities (Rs in lakhs)	Current ratio
2017-2018	19511	9606	2.031
2018-2019	22125	9239	2.394
2019-2020	29397	11827	2.485
2020-2021	30119	11364	2.650387
2021-2022	33230	15710	2.115213

The above table represent that the liquid ratio was 2.031 during the year 2017-2018. During the year of 2018-2019 it was increased from 2.031 to 2.39, and again it was increased from 2.394 to 2.485 in the year of 2019-2020. During the year of 2020-2021 again it was increased from 2.485 to 2.650. again, it was decreased from 2.65 to 2.11 in the year of 2021 -2022.

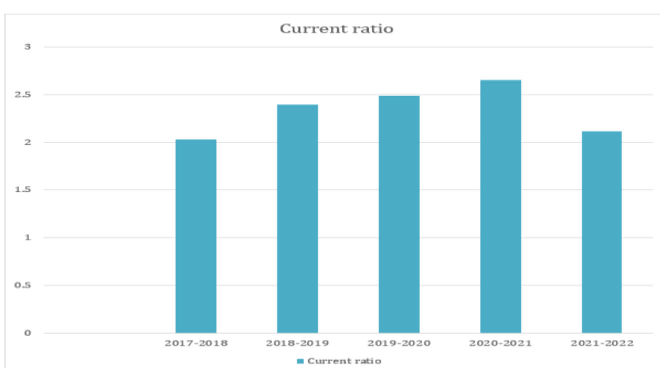

FIGURE 1. Current Ratio

Liquid ratio: This ratio is used to assess the firm's short-term liquidity. The relationship of liquid assets to current liabilities is known as liquid ratio. It is otherwise known as quick ratio or acid test ratio. The acid test ratio is a stringent and meticulous test of a firm's ability to pay its short-term obligations as and when they are due. Quick assets and current liabilities can be associated with the help of Quick Ratio.

$$\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

TABLE 2. Liquid Ratio

Financial year	liquid assets (Rs in lakhs)	Current liabilities (Rs in lakhs)	liquid ratio
2017-2018	11206	9606	1.167
2018-2019	9574	9239	1.036
2019-2020	17070	11827	1.443
2020-2021	18584	11364	1.635
2021-2022	17038	15710	1.085

The above table represent that the liquid ratio wad decreased from 1.16 to 1.03 during the year 2017-2018. During the year of 2018-2019 it was increased from 1.03 to 1.44, and again it was increased from 1.44 to 1.63 in the year of 2019-2020. During the year of 2020-2021 again it was decreased from 1.63 to 1.08 There was a slight deviation comparing in the year 2018-2021.

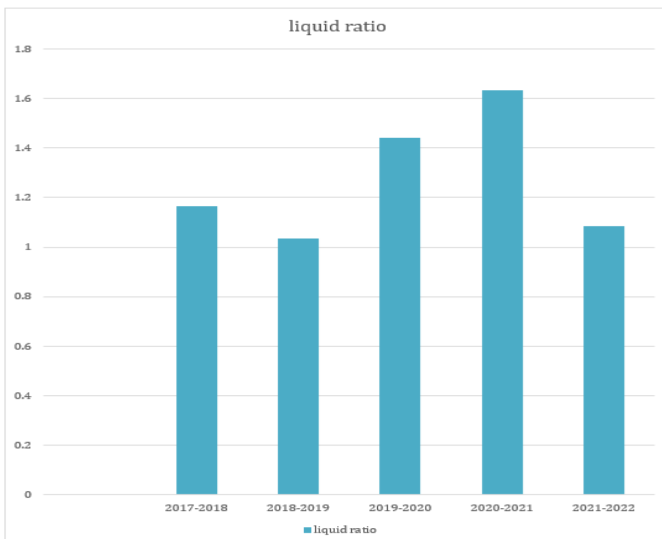

FIGURE 2. Liquid Ratio

Solvency Ratio: Solvency ratio refers to the firm ability to meet its long-term indebtedness. Solvency ratio studies the firm ability to meet its long-term obligations. The following are the importance of solvency ratio.

$$\text{Debt-Equity Ratio} = \frac{\text{Total Long-Term Debts}}{\text{Shareholders' Funds}}$$

TABLE 3. Debts equity Ratio

Financial year	Long term debts (Rs in lakhs)	Shareholders' funds (Rsin lakhs)	Debts equity ratio
2017-2018	10657	24783	0.430
2018-2019	10698	28917	0.370
2019-2020	14285	34313	0.416
2020-2021	13664	35913	0.388
2021-2022	17894	34475	0.519

The above table represent that the Debt-equity ratio it was a magical increase during the five years from 2018-2022. Thus, the company need to increase the position to enhance the profit. Thus, it was a satisfactory ratio.

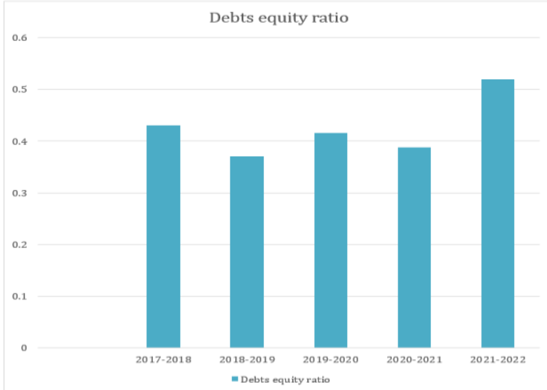

FIGURE 3. Debts equity Ratio

Findings:

- From the analysis it reveals that current ratio of the company was high position during the period of 2021 and, it has been lower position during 2018.
- From the given analysis the acid test ratio of the company has been at a peak point compared to other five years.
- The debt-equity ratio of the company shows that it was a decreased level during the period of 2018 and 2021. There was a magical increase during the period of 2021 and 2022.
- The proprietary ratio of the firm it was a magical continuously decrease flow in the over five years.
- The gross profit ratio of the firm decreased during the starting stage, and suddenly it increased in the period of 2019-2021 and it was decreased in the year of 2022.

Suggestions:

- The company's net profit should be increased for the forth coming year.
- The assets of the company need to be increased for the financial year.
- The capital turnover ratio of the has been satisfactory. So, the company need to maintain the same position in the future.
- The investment measures of the company have been increased year by year. So, the company need to maintain the same position in future
- The profit should be main focus of the company, so they need to aim to achieve their target, because to earn profit. The to maintain the firm in the good position.
- Speed up collection period.
- The company can speed up the collection period, through this company can get debtors balance immediately and it will improve the financial position.

5. CONCLUSION

This study is to measures the Titan engineering automation limited (Hosur). This study has been undergone for a period of five years from (2018 to 2022). It shows that the liabilities position of the firm has been increased compared to the assets of the balance sheet. the overall performance of the company is good. The financial sector is booming and the need for Risk-Return Analysis is growing. Taking into consideration the investor's risk- return requirements portfolio should be constructed and reviewed regularly.

REFERENCE

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